

MALARTIC
Gold Fields
(Quebec)
Limited
(no personal liability)

A N N U A L R E P O R T

For the year ended December 31, 1975



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**MALARTIC
Gold Fields
(Quebec)
Limited**
(no personal liability)

and its subsidiary company

OFFICERS

J. C. L. ALLEN President
R. C. STANLEY, JR. Vice-President
E. J. WADE Vice-President
I. T. H. HAMILTON Secretary

Directors

J. C. L. ALLEN
P. A. ALLEN
I. T. H. HAMILTON
R. C. STANLEY, JR.
D. C. WEBSTER

MANAGER

HARRY E. RUTETZKI

**REGISTRAR AND
TRANSFER AGENTS**

CANADA PERMANENT TRUST COMPANY
Toronto, Ont., and Montreal, Que.
MARINE MIDLAND BANK – NEW YORK
New York, N.Y.

AUDITORS

THORNE RIDDELL & CO.
Toronto, Ontario

EXECUTIVE OFFICE

Suite 1900, 101 Richmond Street West, Toronto, Ontario

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REPORT OF THE DIRECTORS

To the Shareholders:

Your Directors submit herewith the Annual Report of the Company for the year ended December 31, 1975, including the Financial Statements and the Auditors' report thereon.

Operations during the year consisted principally of a mill test of gold ore. Due to low gold prices the Company's custom milling operation has ceased and the mill has been closed and placed on a caretaker basis.

In connection with the completion of operations at Marban your Company received \$67,500 in dividends from Marban. Marban's 75% owned working capital was \$41,556 at December 31, 1975.

The Company maintains its interest in active gold mining by its holding of 1,565,695 or 38% of the outstanding shares of East Malartic Mines Limited (N.P.L.), a producing gold mine in Malartic, Quebec.

The Company remains active in exploration through its 10% interest in Long Lac Mineral Exploration Limited and a report of this Company's increased activities during the year is included herewith.

At the recommendation of our auditors the items "Gain (loss) on sale of securities" and "Reduction (increase) in allowance for decline in value of marketable securities" for the year 1975 have been included in the item "Income before extraordinary items" and the corresponding items for 1974 have been similarly adjusted for comparative purposes.

We would like to thank Mr. D. M. Giachino, Vice President, Mining, who retired on December 31, 1975, for his many years of dedicated service. We welcome Mr. E. J. Wade, B.A.Sc., M.B.A., P.Eng., who is now representing your Company in that capacity.

The Directors wish to express their appreciation to Mr. H. E. Rutetzki, Manager of Malartic Gold Fields for his efforts during the year.

Respectfully submitted,

On behalf of the Board

J. C. L. ALLEN
President

Toronto, Ontario
March 3, 1976.

LONG LAC MINERAL EXPLORATION LIMITED

1975 REPORT

This year your Company engaged in the most aggressive search for new mines in its seven-year history. Substantial programmes were conducted in the Northwest Territories, Ontario, northwestern Quebec, western United States and Spain. Expenditures for the year totalled \$1.1 million, half of which was directed towards a major surface and underground exploration programme in northwestern Quebec.

Follow-up work resulting from the 1975 programme will include diamond drilling of numerous anomalies with indicated mineral potential on at least four projects.

The second phase of the Robb-John project including geological mapping, trenching and both airborne and ground geophysics was completed. This project covers an area of some 200,000 acres approximately 250 miles north of Yellowknife in the Northwest Territories. Texasgulf's discovery of a major deposit in the general area has heightened activity and as a result your Company has been approached by a few major companies to consider joint-venturing these holdings. Plans for the coming season are currently under review.

Your Company participated equally with Little Long Lac Gold Mines in the exploration and reassessment of the Koval property located on Little Long Lac claims in northwestern Ontario. Previous work had outlined several gold lenses in a very limited area of the property. Geophysical, geological and diamond drilling programmes were conducted to explore for new deposits and reassess the known occurrences. No significant discoveries were made with the methods employed, however, due to the extensive overburden cover (90%) and the uniqueness of the occurrence, research will be conducted as to the possibility of employing other geotechnical means to explore in this area.

A major surface and underground exploration programme was conducted on the Thompson-Bousquet project. This property is located approximately three miles northwest of the town of Cadillac in northwestern Quebec. A drill indicated 6.3 million tons of gold mineralization grading 0.066 ounces/ton has been outlined down to 500'. The deposit is suitable to open-pit mining.

A 15,000 ton bulk sample was removed from this property for both metallurgical studies and diamond drill hole assay comparison. Both studies proved favourable. In addition to the main zone two other areas have returned interesting drill hole values and these areas along with untested geophysical anomalies will undergo further examination in 1976.

As a result of studies conducted in the Bousquet Township area, three properties, Bijou, Brawley and Hinse were acquired; these properties are contiguous with the Thompson-Bousquet property. Geophysical and geological work was performed in the latter part of the year resulting in several anomalies that will require diamond drilling during 1976. Mr. Roger Doucet, Hons. B.Sc., Geol., joined the Company a year ago and is managing the Quebec-based exploration.

In the United States most of our activities were confined to Nevada in the search for gold and/or silver deposits. This work is under the direction of Mr. John Hogan, B.Sc., P.Eng., formerly a partner with Manning and Associates. Mr. Hogan joined our firm during the year and manages our Vancouver Office.

A drill programme was conducted on the Conchita property in southwestern Spain in search for base metals. This preliminary investigation was designed to sample geological, geophysical and geochemical anomalies. Of the four widely spaced drill holes completed, one intersected significant copper-gold-silver-magnetite mineralization. Further drilling will be necessary to evaluate the importance of this intersection. By spending a total of \$305,000 your Company may earn an 80% interest in this property.

A 25% working interest was acquired in Section 10 in the Sylvan Lake area, Alberta. This section has proven gas reserves in the order of 2.59 Bcf with potential reserves of 10-20 Bcf. Payout of acquisition and drilling costs are estimated to be two years with a ratio of profit to cost of 6:1. In addition our Company remains active in oil and gas exploration through Taurus Oil Limited, a Calgary-based company under the direction of Mr. John Downing.

March 11, 1976.

D. G. SHEEHAN,
Exploration Manager.

MALARTIC Gold Fields

(No personal liability)
(Incorporated under the laws of Ontario)
and its subsidiaries

CONSOLIDATED AS AT DECEMBER 31, 1975

ASSETS		1975	1974
CURRENT ASSETS			
Cash and short term deposits		\$ 286,743	\$ 204,854
Marketable securities at cost less allowance for decline in quoted market value 1975, \$340,000; 1974, \$765,000 (quoted market value 1975, \$1,040,000; 1974, \$830,000)		1,042,715	897,704
Accounts receivable		8,950	18,270
Receivable from associated companies			9,945
Prepaid expenses		8,673	9,190
Supplies, at estimated realizable value			49,013
		<u>1,347,081</u>	<u>1,188,976</u>
OTHER INVESTMENTS			
Effectively controlled companies (note 2)		4,201,863	3,545,958
Other companies (note 3)		3,753,285	3,795,412
		<u>7,955,148</u>	<u>7,341,370</u>
FIXED ASSETS			
Buildings, machinery and equipment, at cost less accumulated depreciation		9,607	8,105
Mill equipment parts and supplies, at estimated realizable value		166,137	
Mining properties, at nominal value (note 4)		2	2
		<u>175,746</u>	<u>8,107</u>
OTHER ASSETS		<u>1,000</u>	<u>1,000</u>
		<u>\$9,478,975</u>	<u>\$8,539,453</u>

Approved by the Board

P. A. ALLEN, Director

D. C. WEBSTER, Director

AUDITORS

To the Shareholders of
Malartic Gold Fields (Quebec) Limited
(No Personal Liability)

We have examined the consolidated balance sheet of Malartic Gold Fields (Quebec) Limited (No Personal Liability) and its subsidiary company as at December 31, 1975 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Canada
February 13, 1976

(Quebec) Limited

ability)
the laws of Quebec)
company

BALANCE SHEET 31, 1975

LIABILITIES

CURRENT LIABILITIES

	1975	1974
Accounts payable and accrued liabilities	\$ 82,643	\$ 40,094
Payable to associated companies	1,172	20,431
Mining duties payable		3,000
	<u>83,815</u>	<u>63,525</u>

INTEREST OF MINORITY SHAREHOLDERS IN SUBSIDIARY COMPANY

	<u>10,389</u>	<u>23,153</u>
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SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 5)

Authorized — 5,000,000 Shares of \$1 each

Issued — 4,486,378 Shares	4,486,378	4,486,378
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Less discount on shares	<u>3,224,607</u>	<u>3,224,607</u>
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	1,261,771	1,261,771
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CONTRIBUTED SURPLUS	617,026	617,026
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RETAINED EARNINGS	<u>7,505,974</u>	<u>6,573,978</u>
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	<u>9,384,771</u>	<u>8,452,775</u>
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	<u>\$9,478,975</u>	<u>\$8,539,453</u>
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REPORT

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, these consolidated financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE RIDDELL & CO.,
Chartered Accountants

MALARTIC
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CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 1975

	1975	1974
Operating revenue		
Bullion recovery		\$1,416,534
Custom milling	\$ 152,578	164,667
	<u>152,578</u>	<u>1,581,201</u>
Operating expenses		
Mining		496,675
Milling	248,197	397,725
Ore haulage		42,165
Marketing		6,564
General expenses at the property	135,895	337,405
Mine office and supervision	9,354	74,464
Mining duties		3,000
Administrative and corporate expenses	54,227	62,101
	<u>447,673</u>	<u>1,420,099</u>
Operating profit (loss) before the undernoted items	(295,095)	161,102
Depreciation	716	747
Outside exploration	120,578	39,329
	<u>121,294</u>	<u>40,076</u>
Income (loss) before the undernoted items	(416,389)	121,026
Reduction (increase) in allowance for decline in market value of marketable securities	425,000	(595,000)
Interest in earnings less losses of effectively controlled companies (note 2)	607,876	492,989
Investment income	49,640	111,693
Gain (loss) on sale of securities	100,592	(51,933)
Security written down to nominal value	(56,493)	
	<u>1,126,615</u>	<u>(42,251)</u>
Interest of minority shareholders in subsidiary company's earnings	9,736	50,208
	<u>1,116,879</u>	<u>(92,459)</u>
Income before extraordinary items	700,490	28,567
Extraordinary items		
Interest in extraordinary items of effectively controlled companies (note 2)	198,311	(778,664)
Option payment		12,000
Profit on disposal of mine assets	33,195	49,280
	<u>231,506</u>	<u>(717,384)</u>
NET INCOME (LOSS)	<u>\$ 931,996</u>	<u>\$ (688,817)</u>
EARNINGS (LOSS) PER SHARE		
Income before extraordinary items	16¢	Nil
Net income (loss)	21¢	(15)¢

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CONSOLIDATED STATEMENT OF RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 1975

	<u>1975</u>	<u>1974</u>
BALANCE AT BEGINNING OF YEAR	\$6,573,978	\$7,262,795
Net income (loss)	931,996	(688,817)
BALANCE AT END OF YEAR	<u>\$7,505,974</u>	<u>\$6,573,978</u>

CONSOLIDATED STATEMENT OF CHANGES
IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1975

	<u>1975</u>	<u>1974</u>
WORKING CAPITAL DERIVED FROM		
Proceeds on sale of other investments	\$ 300,001	
Option payment		\$ 12,000
Proceeds on disposal of mine assets	33,195	49,280
Dividend received from effectively controlled company	156,569	
	<u>489,765</u>	<u>61,280</u>
WORKING CAPITAL APPLIED TO		
Operations	147,223	413,467
Reclassification of mill equipment parts and supplies	166,137	
Purchase of shares		
Effectively controlled companies	6,287	2,517
Other companies	34	82,540
Dividend paid to minority shareholders of subsidiary company	22,500	80,000
Advances to associated company	7,551	57,435
Purchase of fixed assets	2,218	2,028
	<u>351,950</u>	<u>637,987</u>
INCREASE (DECREASE) IN WORKING CAPITAL	137,815	(576,707)
WORKING CAPITAL AT BEGINNING OF YEAR	1,125,451	1,702,158
WORKING CAPITAL AT END OF YEAR	<u>\$1,263,266</u>	<u>\$1,125,451</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1975

1. ACCOUNTING POLICIES

(a) Basis of consolidation

The accounts of the 75% owned subsidiary, Marban Gold Mines Limited, have been consolidated with those of the parent company.

The operations of the subsidiary company ceased in 1974.

(b) Marketable securities

Marketable securities are recorded at cost less an allowance for decline in quoted market value which is adjusted annually at each year end.

(c) Effectively controlled companies

Commencing January 1, 1973, effectively controlled companies have been recorded on the equity basis.

The investment on the balance sheet is recorded at cost less an allowance for decline in value as at January 1, 1973 of \$420,000 plus the company's share of undistributed earnings since that date. The statement of income includes the company's share of income for the year.

The company, after examination of the circumstances relating to these investments, believes that the most reasonable interpretation of an "effectively controlled company" is one in which the company's investment exceeds 20% but is less than 50% of the issued and outstanding shares of the effectively controlled company. Because of the number of shares involved, the amounts that would be realized if these securities were to be sold may be more or less than their indicated quoted market value.

(d) Other investments

Investments in listed associated companies are recorded at cost less an allowance for decline in market value at December 31, 1973 of \$1,150,000. Investments in other associated companies are recorded at cost.

Other investments which the company considers to be long term in nature are recorded at cost.

Investments in which the value becomes permanently impaired are written off.

Because of the number of shares involved, the amounts that would be realized if these securities were to be sold may be more or less than their indicated quoted market value.

(e) Fixed assets

(i) Plant and equipment

All plant and equipment are stated at cost. Depreciation is provided on the straight-line basis at 10% annually.

(ii) Mining properties

Mining properties are originally recorded at cost. When the properties are considered to be permanently uneconomical they are written off.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 1975

2. EFFECTIVELY CONTROLLED COMPANIES (see note 1(c))	1975	1974
Balance at beginning of year	\$3,545,958	\$3,829,116
Cost of shares purchased during year	6,287	2,517
Interest in earnings less losses for the year		
Before extraordinary items	607,876	492,989
Extraordinary items	198,311	(778,664)
	4,358,432	3,545,958
Less dividends received	156,569	
Balance at end of year	\$4,201,863	\$3,545,958
Listed securities (having a quoted market value 1975, \$3,290,000; 1974, \$4,770,000)	\$3,576,831	\$2,945,940
Other securities	625,032	600,018
	<u>\$4,201,863</u>	<u>\$3,545,958</u>
3. OTHER COMPANIES (see note 1(d))	1975	1974
Shares in associated companies		
Listed		
(quoted market value 1975, \$1,990,000; 1974, \$3,150,000) ...	\$3,336,703	\$3,336,703
Other, at cost		
Shares	2,500	2,500
Advances	64,986	57,435
Shares in other companies		
Listed, at cost (quoted market value 1975, \$118,000; 1974, \$165,000)	300,072	300,072
Other, at cost less amounts written off	49,024	98,702
	<u>\$3,753,285</u>	<u>\$3,795,412</u>
4. MINING PROPERTIES		
In 1974 the company granted an option to another company (optionee) to do exploration work in its mining concessions in Fourniere and Dubuission Townships in Quebec. Under the agreement the optionee paid to the company \$12,000 cash whereby the company assigned all of its subsurface rights to the optionee. The optionee must expend \$50,000 on exploration and development work on the property by April 25, 1976 and bring it into production by April 25, 1979 or title to the property reverts back to the company. If the optionee brings the property into production, it shall pay all such costs of doing so, subject to the return of these costs from production income with interest at 10% per annum compounded annually. After the recovery of these costs, the company shall receive a royalty of 25% of the net profit as defined in the agreement.		
5. CAPITAL STOCK		
At December 31, 1975, incentive options are outstanding on 20,000 shares of capital stock, exercisable to February 21, 1978 at 85¢ per share.		

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 1975

6. INCOME TAXES

For 1976 and future years losses carried forward for tax purposes and capital cost allowance remaining to be claimed in excess of the net book value of the related fixed assets, are as follows:

	Malartic Gold Fields (Quebec) Limited	Marban Gold Mines Limited
Undepreciated capital cost	\$ 862,000	\$257,000
Losses for tax purposes carried forward	236,000	521,000
	<u>\$1,098,000</u>	<u>\$778,000</u>

7. ANTI-INFLATION LEGISLATION

The company is subject to the regulations of the Anti-Inflation Act (Canada) which became effective 14th October, 1975. This Act imposes restrictions on revenues, compensation to employees and payment of dividends to shareholders. There are many uncertainties as to the interpretation and application of the legislation and therefore its impact on the future operations of the company cannot be determined except with respect to the payment of dividends to its shareholders. Under these regulations, the company may not pay or declare a dividend in the twelve months ending October 13, 1976, unless it applies for and receives a special ruling from the Anti-Inflation Board.

As presently understood by the company, the provisions of this Act had no significant effect on the company's earnings for the year ended December 31, 1975.

8. COMPARATIVE FIGURES

Certain 1974 figures have been reclassified to conform with the financial statement presentation adopted for 1975.

9. OTHER STATUTORY INFORMATION

Direct remuneration of the company's directors and senior officers (including the five highest paid employees) as defined by The Securities Act of Ontario was as follows:

	<u>1975</u>	<u>1974</u>
Directors and officers	\$ 6,500	\$ 8,300
Mill employees	59,060	63,388
	<u>\$65,560</u>	<u>\$71,688</u>

